

<https://www.wealthmanagement.com/technology/t3-cybersecurity-adoption-still-woefully-low>



Photo by Rob Burgess

Bob Veres, left, and Joel Bruckenstein present the results of the T3/Information Advisor Software Survey.

TECHNOLOGY

T3: Cybersecurity Adoption Still 'Woefully Low'

However, advisory firms that did invest in cybersecurity tools reported higher levels of satisfaction with them than in any other software category.

Rob Burgess | Mar 14, 2023

Advisory firms are investing slightly more in cybersecurity than they have in previous years, but even so, the "cyber tools are not getting the attention they deserve."

That was among the findings of the "2023 T3/Inside Information Advisor Software Survey" unveiled Monday in Tampa, Fla., at the Technology Tools for Today (T3) conference.

Joel Bruckenstein, co-founder of the advisor technology conference, took to the stage at the close of the meeting's opening day to highlight the most recent results of the annual report.

The survey collected 3,309 responses and is “still the most widely answered survey in the industry to our knowledge,” said Bruckenstein.

A little over half of the respondents had less than \$1 million in revenue. And nearly half had 20 or more years in business.

Notably, just under half of the respondents, 46.78%, were affiliated with a professional organization; the Financial Planning Association was the most popular professional affiliation for respondents, but Bruckenstein noted the overall number was concerning.

“I personally have benefited greatly from being a member of certain organizations in this industry,” said Bruckenstein. “To me, the fact that less than half of our participants are members of any organization in the industry is a little bit disheartening.”

Looking at total market for all advisor technology, customer relationship management technology was far and away the most popular, with 96.46% of respondents reporting that they use it.

“If somebody is buying CRM software today, one of the other vendors is probably losing a client,” said Bruckenstein.

Meanwhile, bringing up the rear of the pack was digital marketing tools, at 23.87%; estate planning software, at 15.84%; and retirement distribution planning software, at 12.78%.

“It’s pretty disheartening that the numbers are so low,” said Bruckenstein.

Bruckenstein said he was particularly alarmed by the low levels of total market adoption of cybersecurity technology. This year, cybersecurity software is being used by 24.33% of respondents, up less than two percentage points from the previous year's survey.

“If you’re not engaging with some of these vendors, you’re doing your clients a disservice,” he said.

Despite this, among those who use cybersecurity software, respondents reported an average of 8.25 on a satisfaction scale of 1 to 10—the highest satisfaction rate of any technology category.

“Not a lot of people are using it, but the people who are using it seem to be really happy with it,” Bruckenstein said.

Among the groups with the lowest utilization of cybersecurity was XY Planning Network, which reported only 15.5% of respondents using the tools, as compared with members of the American Institute of Certified

Public Accountants Personal Financial Planning, of which 30.07% reported using the software.

"It just drives me crazy," said Bruckenstein. "My feeling is (XYPN members) tend to be younger, and less experienced. You would think they would know a little more about the risks of cyber and would be willing to do more to deal with those risks. To date, that hasn't been the case."

Turning to CRM software, Redtail once again was the market leader, as it has been in years past, used by 49.26% of the survey respondents, with Wealthbox the second-most popular, at 14.45%.

Conference co-founder Bob Veres said the average satisfaction ratings with technology were "really extraordinary" with most programs rating between 7 and 8. Some of the highest rated, including Concenter Services XLR8, a Salesforce overlay specifically for financial services, with an 8.85 average satisfaction response, and Advyzon, with 8.46, only rated in the single digits for total market share.

"Sometimes the market share leaders are not the programs people are most satisfied with," said Veres.

Bruckenstein said as software becomes more ubiquitous it can suffer in the rating score simply due to sheer scale.

"When you're small you can target your niche, so you tend to have more satisfied clients," said Bruckenstein. "As your market share grows you have a much more diverse user base. So, you can't please all the people all the time."

In financial planning software, MoneyGuideElite continued to be the market share leader with 31.52%.

"The people who are coming into the profession are, in fact, leading with financial planning," said Bruckenstein. "They're not telling clients we're going to pick better stocks for you, we're going to build better portfolios. They're telling clients we're going to help you meet life goals."

Bruckenstein said since they had started conducting these surveys in 2008, MoneyGuidePro had consistently topped the list, with eMoney, at 28.47%, being the "perennial No. 2."

"They continue to innovate," said Bruckenstein, of MoneyGuidePro Elite. "They continue to take feedback. They continue to make the product better and better."

Veres said this was now a "big three" category, not a "big two," with RightCapital coming in third at 15.65%.

Bruckenstein said he was impressed with smaller player FP Alpha, used by only 1.81% of the survey respondents.

"FP Alpha is doing a lot of things right," said Bruckenstein. "They're leveraging machine learning and AI. They're still relatively new because they launched during COVID."

Turning to retirement distribution planning, Bruckenstein said this area was "ripe for disruption."

"I think all of you have a lot of clients who are nearing or in retirement and I would think you would want to use powerful software to help you figure out where to pull money from this year and have it optimize taxes," said Bruckenstein. "There are some really good specialized programs that do just that."

Similarly, estate planning tools had a lot of room for growth and change, said Bruckenstein.

"Last year there was not a lot to choose from," said Bruckenstein. "And what there was to choose from was new and unknown. A lot of these are newer software products. Many, many advisors don't spend the time that they should about estate planning, and part of it is because clients don't like talking about it. But, if you're a fiduciary I think you have a responsibility to really do a good job on estate planning."

With so much variation in the estate planning software, it was almost unfair to compare the different platforms as "this category unfortunately is apples and oranges and bananas and kumquats," said Veres.

Leading the pack were MoneyGuide/Wealth Studios, with a 7.28% market share; FP Alpha, with 3.41%; and EncorEstate Plans, with 1.6%.

Portfolio management "continues to be a very competitive category," with Orion Advisor Solutions at 15.38%; Pershing Albridge Wealth Reporting, with 13.03%; and Envestnet/Tamarac, with 10.43%, leading the pack.

The market penetration in this category overall among respondents was 64.97% "because not everybody is buying third-party portfolio management software," Bruckenstein said.

Additionally, "a lot of these categories are getting blurred. Many of the folks who show up on this list also show up in the all-in-one category," he said.

In trading and rebalancing tools, Envestnet/Tamarac, with 9.25%; iRebal (free version), with 9.07%; and Orion Advisor Solutions, with 8.28%, led the pack.

“Thank God Schwab is going to be integrating iRebal into their tech stack because it’s a lot more popular and much higher satisfaction than Schwab’s own rebalancer,” said Bruckenstein. “For what it is, it does a great job.”